


AR32

Gdn.
Management
Limited

Annual
Report
1969

GDN 2



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To the Shareholders

Current Activities

For Gdn. Management Limited the year 1969 marked both an end and a beginning. It marked the end of the company's status as a closely held private company performing only one function, the management of Guardian Growth Fund Limited. It marked the beginning of the company's existence as a widely held public Canadian company performing a variety of investment management functions for several different entities.

Gdn. Management Limited today is engaged in the following investment management activities:—

- 1 Management of Guardian Growth Fund Limited.
- 2 Management of Gdn. Ventures Limited, a venture capital investment company, currently wholly-owned.
- 3 Management of individual client and pension fund portfolios (through a wholly-owned subsidiary, Norman Short and Associates Limited, a registered firm of investment counsel).
- 4 Management of Guardian Pension Fund (through Norman Short and Associates Limited).

Gdn. is paid for performing each of these investment management functions on a similar basis — a basic management fee plus a performance bonus payable when earned.

Guardian Growth Fund 1969 Results

Fee Schedules

The basic fee and performance bonus schedule for each of these activities and the current size of assets under management in each entity, is tabulated below:—

	Basic Fee %	Potential Bonus Fee %	Asset Size (\$ millions)
Guardian Growth Fund	1½ %	2%	\$32
Guardian Pension Fund	½ %	1%	\$ 5
Client's Portfolios	½ %	2%	\$12
Gdn. Ventures	2%	20%	\$ 3

In the cases of Guardian Growth Fund, individual client's portfolios and Guardian Pension Fund the basic fee is based on average net assets during the year. The performance bonus in most cases is one-tenth of the percentage by which the portfolio's performance better the average performance of the Toronto Stock Exchange Industrial Index and the Dow-Jones Industrial Average up to the maximum as listed above.

In the case of Gdn. Ventures Limited, the basic fee is based on year-end assets, as valued by Ventures' management and directors, and as reviewed by Smith Nixon & Co.; the performance bonus payable is twenty percent of realized gains less realized or unrealized losses.

Your company's revenues and earnings in 1969 were derived only from the management of Guardian Growth Fund and Gdn. Ventures Limited. The acquisition of Norman Short and Associates Limited, and related revenues from management of individual and pension fund portfolios was consummated as of January 1st, 1970. This subsidiary therefore contributes to revenues only from that date. Had Norman Short and Associates been a subsidiary throughout 1969 however, reported earnings for the year 1969 would have been slightly higher than they were. As reported in the income statement which forms part of this report, gross revenues in 1969 were \$672,024; net profit after tax was \$211,110, and net profit per share, based on average shares outstanding was \$0.24.

Most shareholders of Gdn. Management Limited are also shareholders of Guardian Growth Fund. This report therefore does not cover in detail Guardian's 1969 results. Copies of Guardian's 1969 annual report are, of course, available on request at the Company's office.

In 1969 Gdn. Management earned no bonus revenues from management of Guardian Growth Fund Limited. Guardian had a poor year — the only calendar year since the Fund started operations to show a decline in net asset value per share. The Guardian annual report covers the year's results in some detail, and discusses some of the reasons for the disappointing result. It also describes the new sub-portfolio operating method adopted in September 1969, and the improved results achieved since that time. Basic fee revenues earned from management of Guardian in 1969 were \$572,036.

Gdn. Ventures Limited 1969 Results

Gdn. Ventures Limited, your company's wholly-owned subsidiary, started operations in the first quarter of 1969 and, in spite of the relatively poor market and economic environment, had an encouraging year.

The company made three significant investments in 1969:

Medical Data Sciences Limited ("M.D.S.")

This company was incorporated in early 1969 and is located in Toronto. It was established to exploit computer technology and to apply sophisticated marketing efforts and management techniques to the medical laboratory field.

M.D.S. will operate a blood screening laboratory in Toronto using automated chemical analysis equipment interfaced with a computer, and has acquired an existing medical laboratory as a source of business for the analysis equipment. In addition, advanced technology coupled with marketing skills should substantially boost profits of the acquired laboratory. M.D.S. will do screening for insurance companies and plans to establish a multi-phasic screening centre (a complete diagnostic centre) in the future which will largely utilize existing equipment.

Management of M.D.S. rests with five, young, ex I.B.M. marketing men, who have extensive experience in applying computer technology to the medical field. A medical advisory board consisting of the chief bio-chemist of the Ottawa General Hospital, the bio-chemist of the Hospital for Sick Children and the chief pathologist of the Toronto General Hospital and others advise the company on technical problems and assist in defining markets.

M.D.S. is making good progress. It has purchased two medical laboratories in the Toronto area and one in Sudbury, and is negotiating for others to give nationwide coverage. No assurance can be given that these negotiations will be successful, but combined sales of all of these laboratories, if obtained, would have been approximately \$4,000,000 for 1969 and combined pre-tax profits would have been in excess of \$800,000. However, the near term revenues of the multi phasic screening programme will not cover the substantial start-up costs associated with this programme and will reduce this profit. At this time, M.D.S. computer programming is on target and its marketing efforts have started; these costs exceed revenues by about \$50,000 per month.

Subsequent to Ventures' original purchase, M.D.S. sold 50,000 treasury shares at \$20.00 per share to a group of private individuals and institutions. (With a five for one share split in December 1969 this was equivalent to 250,000 shares at \$4.00.) At present Ventures owns 488,750 shares of M.D.S. at an average cost of \$0.89 per share. M.D.S. is currently negotiating a private placement of \$1.6 million and anticipates a larger public offering to follow, but no assurance can be given that these financings will take place.

Digital Telephone Systems Inc. (D.T.S.)

D.T.S. was incorporated in California in June 1969. The company is located in San Francisco and will design, manufacture and market sophisticated electronic equipment for the telephone industry in the United States and Canada. It will apply the latest integrated circuit technology to time division carrier equipment. The equipment will be used on circuits inter-connecting telephone offices and circuits between telephone offices and telephone subscribers.

The principals of D.T.S. are Donald Green, 38, President, until recently Vice-President engineering of Lynch Communications Systems of San Francisco; Samuel T. Huey, 35, Chief Engineer, formerly Assistant Chief Engineer of Lynch Communications; Robert J. Gibbens, 30, Production Manager, formerly Assistant Chief Engineer of Lynch Communications and Walter Noller, 52, Marketing Manager, formerly President of Noller Controls Inc.

The budgeted cost of designing and manufacturing the first saleable products is approximately \$1,500,000. First stage financing in the amount of \$570,000 has been provided by the principals and employees who contributed \$135,000 and who own 47% of the outstanding shares, and by GlenTech Instruments Ltd. of Toronto and Ventures, who contributed a total of \$435,000 and who as equal partners have 53% (217,500) of the outstanding shares.

D.T.S. is within its original cost estimates and progress on the design of its equipment is in line with expectations. The telephone industry has shown considerable interest in the product. A private placement or public underwriting of shares is planned for this year, but no assurance can be given that such financing will take place.

Ventures

Cassette-Cartridge Corporation ("Cassette")

Cassette is engaged in the U.S. in the duplication and assembly of recorded tape for cassettes and cartridges for leading recording companies, publishers and other organizations. The sales of Cassette are now of the order of \$3,000,000 annually. Cassette owns 50% of Cassette Music Corporation which has the rights to a catalogue of 700 L.P. record titles, over half of them in stereo, enabling it to sell under its own name to customers such as large department stores and phonographic wholesalers. Cassette proposes to build a Canadian plant in Cape Breton to supply both the Canadian and U.S. markets and has successfully applied for grants and loans aggregating some \$2.1 million from the Cape Breton Development Corporation. Such grants and loans are dependent on the progress of construction of the Canadian plant, completion of which is expected this year.

A substantial majority of Cassettes' production is cassettes, a development of Philips Lamps of Holland. Introduced in 1966, cassettes are extremely popular in that they are small, contain slow moving tape and are therefore long playing. The total North American cassette market amounted to about \$592 million in 1968 and is estimated at \$950 million for 1969 and \$1.4 billion in 1970. Recent technological improvements have opened the door to the home entertainment market as well as commercial users. Cassette record player sales reached 5 million units in 1968 and indications are that by 1973 sales will have reached 10 million units per year. At present, demand for cassettes greatly exceeds industry capacity. The Company believes that Cassette is in an ideal position to take advantage of this demand.

Cassette shares currently trade in the \$15 U.S. range. Ventures bought 52,000 shares at \$3 per share in 1969, but these shares are not currently registered with the Securities and Exchange Commission for sale.

Subsequent to the end of 1969, additional investments have been made by Ventures in Keydata Corporation, a company in which Guardian Growth Fund has had a significant investment for more than a year, and in Instinet, the computerized stock transaction company which seems to be making significant inroads into its field. A small but interesting investment by Ventures is in Electrocell Limited, the company which owns the rights to the fuel cell developed by a young Canadian inventor, Richard Keefer. Other opportunities are under consideration.

The year-end 1969 balance sheet of Gdn. Ventures forms part of this annual report.

Your management is enthusiastic about the prospects for Ventures. The field is by no means an easy one. A great deal of investigation and analysis is required before making any commitments. After an investment has been made, much time and effort must be expended in following each company's progress. From time to time extra efforts are required to initiate and hopefully to achieve successful changes in direction and at times in management. New or young companies have both strengths and weaknesses — involvement with them brings both hopes and headaches.

The field, however, is a creative and stimulating one and progress by Ventures to date suggests that profit opportunities are also very great.

Individual Client and Pension Fund Portfolios 1969 Results

At year-end 1969 total assets under administration by Norman Short and Associates Limited were over \$17 million. The Pension Fund, as discussed below, performed well, and earned almost a full bonus. Individual clients' portfolios did not, on balance, outperform the market averages and thus did not qualify to pay the performance bonus. Performance was, however, better than that of Guardian Growth Fund, and there were times during the year, and particularly in the last quarter, when it seemed possible that a significant positive differential would be achieved.

The relatively more favourable performance by individual and pension fund portfolios in relation to Guardian derived from their substantial cash reserves during the year, and from their more conservative composition. In very bullish years it is reasonable to expect an aggressive portfolio to outperform a more conservative one — conversely, in bearish years, reserves and appropriate selection of higher quality equities bring their rewards of capital preservation.

Guardian Pension Fund 1969 Results

During 1969, prior to the acquisition of Norman Short and Associates Limited as of January 1st 1970, Guardian Pension Fund was called The Norman Short and Associates Investment Fund for Pension Trusts. It started operations on March 1st 1969, and during the ten months to December 31st, 1969, its performance related to the stock market averages as follows:-

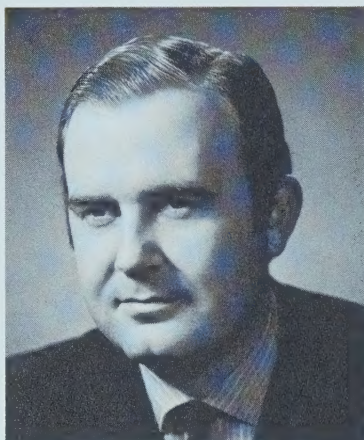
Guardian Pension Fund	+ 3.2%
Toronto Industrials	+ 0.6%
Dow-Jones Industrials	-11.6%

The Fund therefore had a performance differential of +8.7% in relation to the averages and a performance bonus of 0.8% was earned by Norman Short and Associates Limited.

Guardian Pension Fund is available for participation by registered pension and profit sharing trusts. Its investments conform to the regulations of the Ontario Pension Benefits Act. The custodian and the trustee of the Fund is The Canada Trust Company. Enquiries concerning this client service should be directed to Mr. Hunter Thompson.

The Gdn. Management Team

The Gdn. Management team is a group of individuals who like working together in a creative and profit-oriented environment. We particularly welcome Ralph Horner, Guardian's first president, to the group as a full-time member of it.



John Bak Born in Rotterdam, The Netherlands, in 1939. Business activity includes The Canadian Imperial Bank of Commerce 1956-58; Pacific Finance Corporation 1958-63; Midland-Osler Securities Limited 1963-67, and Guardian Growth Fund Limited from 1967 to date.



James F. Cole Born in Toronto, in 1925. Graduated from the University of Toronto (B. Comm) 1948. Employed by a Canadian investment dealer in Toronto and New York 1948-54; Empire Trust Company, New York, 1955-56; Andraee, Cole and Thompson Limited 1956-63; Elliott and Page Limited 1963-69; Guardian Growth Fund Limited from 1964 to date, and Gdn. Management Limited from 1965 to date.



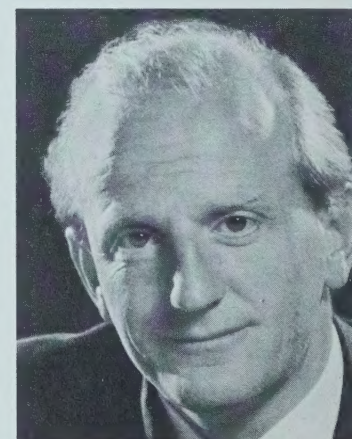
Alan Grieve Born in London, England in 1933. Educated at Whitgift and graduated as a Chemical Engineer from the Imperial College of Science and Technology, London University. Business experience includes engineering development work with Polymer Corporation 1954-58; technical marketing and management responsibilities with W. R. Grace of Canada 1958-66; Guardian Growth Fund Limited from 1960 to date and Gdn. Management Limited from 1962 to date.



Peter E. Roode Born in Brockville, Ontario 1937. Educated at Queen's University (B.Comm) and the University of Western Ontario (M.B.A.). Business activity includes McDonald Currie & Co. 1962-65; Charterhouse Canada Limited 1965-66; Rogers Broadcasting Ltd. 1967-68; Canadian Growth Fund Limited from 1968 to date.

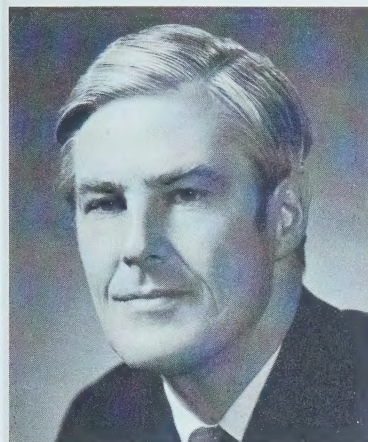


Gurston Rosenfeld Born in Toronto, in 1927. Educated at Upper Canada College and the University of Toronto. Business activity includes Famous Players Canadian Corp. Ltd. 1948-52; Premier Operating Corp. Ltd. 1953-58; Carlton Automatic Venders Ltd. 1958-61; Canadian Business Service Ltd. 1962-63; Royal Securities Corporation Limited 1963-65; R. A. Daly and Company Limited 1965-67, and Norman Short and Associates Ltd. December 1967 to date.



Norman J. Short Born in London, England in 1930. Educated at Fettes College, Edinburgh and Worcester College, Oxford. Business activity includes George Weston Limited 1953-56; Confederation Life Association 1956-60; Andraee Cole and Company 1960-62; Bache and Company 1962-64; Norman Short and Associates Limited 1965 to date; Guardian Growth Fund Limited from 1960 to date, and Gdn. Management Limited 1962 to date.

Outlook for 1970



Ralph Horner Graduated from Oxford University with a degree in Engineering in 1949. Business activity includes Grayron Industries Limited and Central Electric Wire Limited, a Capital Wirecloth subsidiary, 1952-56; Andreae Cole and Company 1957-60; Wisener & Co. 1960-62; United Funds Management Limited 1962-69; Guardian Growth Fund Limited from 1960 to date and Gdn. Management Limited 1962 to date.



Richard E. McConnell Born in Bronxville, New York, in 1925. Educated at Princeton University and the University of Virginia Law School. Business activity includes practising law from 1952-56; Virginia Carolina Chemical Corp. 1956-59; Cyprus Mines Corporation 1959-63; Montgomery Scott & Co. 1963-66; the Donner Advisory Corporation from 1966 to date, and Guardian Growth Fund Limited from 1968 to date.

In 1969 the stock market had a bad time, but the economy was not significantly affected. In 1970, we expect the economy to suffer some of the pains evident in the stock market the year before, while during the course of the year we believe that the stock market will begin slowly to anticipate less stringent monetary conditions, and less inflationary distortions in the economy.

We also hope that in 1970 the Canadian economy will be able to avoid the damaging proposals put forward by Mr. Benson, while at the same time being able to move towards a tax system generally regarded by the concerned and voting public as being more equitable. It is also to be hoped that excessive penalties for being Canadian will be avoided.

Your management intends, in whatever environment we find ourselves, to do our utmost to perform well for Guardian's shareholders and investment counsel clients. By so doing, we will not only be providing the service for which we are being paid, but we will also be maximizing the return earned for all Gdn. Management shareholders.

On behalf of the Board,
Yours sincerely,
Norman Short



Murray M. Sinclair Born in Toronto, in 1931. Educated at the University of Arizona. Business activity includes A. E. Ames & Company Limited 1953-61; Midland-Osler Securities Corporation Limited 1962-67; Cochran Murray & Company Limited 1967 to date; Guardian Growth Fund Limited from 1964 to date and Gdn. Management Limited 1965 to date.



Hunter E. Thompson Born in Toronto, in 1932. Educated at Trinity College School, Port Hope and the University of Toronto. Business activity includes The Scudder Fund of Canada 1954-58; Andreae Cole and Company 1958-61; The Canada Trust Company 1961-65, and Norman Short and Associates Limited 1965 to date.

Gdn. Management Limited

Statement of Earnings

for the year ended December 31, 1969

	1969	1968
Income		
Basic management fees (Note 1)	\$ 636,819	\$ 520,440
Performance bonus (Note 1)	—	782,084
Interest and dividends	35,205	—
	672,024	1,302,524
Expenses		
Management and analysts' salaries and fees	87,479	120,089
Provision for bonuses to management and employees	—	117,875
Other operating expenses	152,435	104,750
	239,914	342,714
Earnings before Income Taxes	432,110	959,810
Provision for Income Taxes	221,000	502,500
Net Earnings for the Year	\$ 211,110	\$ 457,310
Net Earnings Per Share*	24¢	64¢

*Net earnings per share have been calculated using the weighted monthly average number of common shares outstanding during the respective fiscal years.

See accompanying notes to financial statements

Statement of Retained Earnings

for the year ended December 31, 1969

	1969	1968
Retained Earnings—Beginning of Year	\$504,721	\$ 47,411
Add:		
Net earnings for the year	211,110	457,310
	715,831	504,721
Deduct:		
Write-off of financing expenses, net of income taxes	16,526	—
Retained Earnings—End of Year	\$ 699,305	\$ 504,721

See accompanying notes to financial statements

Statement of Source and Application of Funds

for the year ended December 31, 1969

	1969	1968
Source of Funds		
Net earnings for the year	\$ 211,110	\$ 457,310
Charges not requiring cash expenditure: Depreciation and amortization of fixed assets	8,676	5,781
Funds derived from operations	219,786	463,091
Sale of share purchase warrants	—	60,000
Issue of shares for cash (Note 2)	1,500,000	—
	1,719,786	523,091

Application of Funds

Additions to fixed assets	14,828	28,244
Purchase of shares in Gdn. Ventures Limited, wholly-owned subsidiary	1,500,000	3
Purchase of shares in managed mutual funds	208,380	—
Payment of financing expenses, less income tax reduction	5,617	10,909
	1,728,825	39,156

Increase (Decrease) in Working Capital

(\$ 9,039) \$ 483,935

See accompanying notes to financial statements

Auditors' Report to the Shareholders

We have examined the balance sheet of Gdn. Management Limited as at December 31, 1969 and the statements of earnings, retained earnings and source and application of funds for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1969, and the results of its operations and the source and application of its funds for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, February 20, 1970

Smith, Nixon & Co.,
Chartered Accountants

Gdn. Management Limited

Balance Sheet

as at December 31, 1969

Assets

	1969	1968
Current Assets		
Cash	\$ 115,395	\$ 346,553
Government of Canada Treasury Bill —at cost plus accrued interest which approximates market	399,871	—
Basic management fees receivable Subsidiary company, Gdn. Ventures Limited	64,784	—
Other	21,067	—
Management bonus accrued (Note 1)	—	782,084
Sundry accounts receivable	21,452	17,286
Prepaid expenses	5,262	1,800
	627,831	1,147,723

Investments—at cost

Shares in Gdn. Ventures Limited, wholly-owned subsidiary (Note 3)	1,500,003	3
Shares in managed mutual funds (net asset value 1969—\$231,556; 1968—\$49,365)	226,380	18,000
	1,726,383	18,003

Fixed Assets

Furniture, equipment and leasehold improvements—at cost, less accumulated depreciation and amortization of \$14,728 (1968—\$6,052)	29,278	23,126
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Deferred Financing Expenses

	—	10,909
	\$2,383,492	\$1,199,761

Liabilities

	1969	1968
Current Liabilities		
Accrued bonuses to management and employees	\$ —	\$ 117,875
Accounts payable and sundry accrued liabilities	3,707	13,284
Income taxes payable	117,127	500,528
	120,834	631,687

Shareholders' Equity

Capital Stock: (Note 2)

Authorized— 2,000,000 shares without par value		
Issued and fully paid— 920,000 shares (1968—720,000 shares)	1,503,353	3,353

Contributed Surplus—arising from
sale of share purchase warrants

	60,000	60,000
Retained Earnings	699,305	504,721
	2,262,658	568,074

\$2,383,492 \$1,199,761

Approved on behalf of the Board

Norman Short *Director*

Alan Grieve *Director*

See accompanying notes to financial statements

Gdn. Management Limited Notes to Financial Statements

for the year ended December 31, 1969

1 Management Fees and Performance Bonus Earned

Under a contract with Guardian Growth Fund Limited ("Guardian") the Company receives a basic expense, management and advisory annual fee, computed such that this fee plus certain other administrative expenses of Guardian total 1½ % of the average net assets of Guardian. In addition to the basic fee, the Company will receive a performance bonus if Guardian outperforms certain stock market averages. This bonus is a percentage of average net assets during the year equal to 1/10th of the amount by which the percentage gain in the net asset value per share of Guardian exceeds the median percentage gain of the Toronto Industrial Index and the Dow Jones Industrial Average in the same year; or conversely 1/10th of the amount by which the percentage loss in the net asset value per share of Guardian is less than the median percentage loss of these indices. The bonus is not to exceed 2% of such average net assets and is receivable by the Company subsequent to the year end of Guardian.

For the year ended December 31, 1969, the Company received a basic fee of \$572,036 under the Guardian contract, but earned no performance bonus. The balance of the 1969 basic fees earned by the Company represented management fees from Gdn. Ventures Limited. For 1968 the Company received basic fees of \$520,440 which were derived entirely from the Guardian contract and in addition earned the maximum bonus percentage resulting in a bonus of \$782,084 for that year.

2 Capital Stock, Share Purchase Warrants and Stock Options

- A. During the year 200,000 shares were issued for \$1,500,000 cash.
- B. As at December 31, 1969, 30,000 authorized but unissued shares of the Company's capital stock were reserved for issuance upon the exercise of 30,000 share purchase warrants at \$8.00 per share on or before December 31, 1973.
- C. During 1969 the Company reserved 45,000 authorized but unissued shares for an employee stock option plan. Under the plan options are granted at a price per share

which is 90% of the average price for the shares on the business date next preceding the date of granting and the option terms are for a maximum of 10 years from such dates. To December 31, 1969 options had been granted and were outstanding on a maximum of 27,500 shares at \$10.00 per share, subject to the conditions set out in the option agreement.

D. Shares and warrants issued subsequent to the balance sheet date are set out in Note 6 under the heading of "Subsequent Events".

3 Unconsolidated Subsidiary

The accounts of a wholly-owned subsidiary, Gdn. Ventures Limited (previously Gdn. Incubation Limited), have not been consolidated since its activities are different from those of the parent company.

The subsidiary incurred a loss of \$10,325 for its first year of operations which ended December 31, 1969. This loss has not been provided for in the accounts of the parent Company.

4 Remuneration of Directors and Senior Officers

The aggregate remuneration paid or payable to directors and senior officers for the year ended December 31, 1969 was \$100,969.

5 Lease Commitments

Minimum annual rentals of \$19,229 are payable by the Company for office premises under leases which expire January 31, 1973.

6 Subsequent Events

Subsequent to December 31, 1969, the Company acquired all the outstanding shares of Norman Short and Associates Limited for \$230,000 cash, 38,000 shares of the Company's capital stock and 10,000 share purchase warrants granting the right to purchase 10,000 shares of the Company's capital stock at \$12.50 per share on or before December 31, 1974. The directors of the Company have ascribed a value of \$690,000 to the total consideration paid.

Gdn. Ventures Limited

(Incorporated under the laws of Ontario)

Balance Sheet

as at December 31, 1969

Assets

Cash	\$ 14,642
Government of Canada Treasury Bills— at cost plus accrued interest which approximates market	698,671
Investments—at cost (Note 3)	848,341

Liabilities

Management fees payable to Parent company	\$ 64,784
Other accounts payable and accrued liabilities	7,192 \$ 71,976

Shareholders' Equity

Capital stock:

Authorized—
1,000,000 shares without par value

Issued and fully paid—
300,003 shares (including 300,000
shares issued during the year for
\$1,500,000 cash) \$1,500,003

Deficit:

Net loss for the year 10,325 1,489,678

\$1,561,654

\$1,561,654

Statement of Profit and Loss

for the year ended December 31, 1969

Income

Interest earned	\$56,219
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Expenses

Management fees	\$64,784
Other expenses	1,760 66,544

Net Loss for the Year \$10,325

Approved on behalf of the Board

Norman Short *Director*
Alan Grieve *Director*

The accompanying notes are an integral part of these financial statements.

Gdn. Ventures Limited

Notes to Financial Statements

for the year ended December 31, 1969

1 No comparative figures are shown for the previous period since the company was not incorporated until November 29, 1968 and was inactive prior to December 31, 1968.

2 By supplementary letters patent dated July 3, 1969 the name of the company was changed from Gdn. Incubation Limited to Gdn. Ventures Limited.

3 The Company's investments as at December 31, 1969 are set out below:

	Number of common shares	Cost
Medical Data Sciences	488,750	\$440,033
Digital Telephone Systems*	108,750	237,567*
Cassette-Cartridge*	52,000	168,241*
Electrocell	500	2,500
		\$848,341

*Cost prices of foreign securities have been converted into Canadian funds at the approximate rate of exchange prevailing at the time of purchase.

4 A statement of source and application of funds has not been included because such a statement would provide no meaningful information in the case of an investment company.

Auditors' Report to the Shareholders

We have examined the balance sheet of Gdn. Ventures Limited as at December 31, 1969 and the statement of profit and loss for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the company as at December 31, 1969 and the results of its operations for the year then ended, in accordance with generally accepted accounting principles.

Toronto, February 19, 1970

Smith, Nixon & Co.,
Chartered Accountants

Gdn. Management Limited

Officers and Directors

Norman J. Short *President*
Alan Grieve *Secretary-Treasurer*
James F. Cole
Murray Sinclair

Registrar and Transfer Agent

Canada Trust Company,
Toronto, Winnipeg, Calgary & Vancouver.

Banker and Custodian of Securities

The Canadian Imperial Bank of Commerce
7 King Street East, Toronto 1, Ontario.

Auditors

Smith, Nixon & Co.,
372 Bay Street, Toronto 1, Ontario.

Legal Counsel

Day, Wilson, Campbell,
250 University Avenue, Toronto 1, Ontario.
